

Testimony: Kim Wilmes, CEO Metal Innovations Inc. 7/31/2009

My Name is Kim Wilmes and I am CEO and co-owner of Metal Innovations Inc.

Located at 22255 Yellow Gate Lane NE at the Aurora State Airport in Aurora, OR. We are a small certified women-owned business and FAA certified repair station specializing in fixed wing and rotor wing sheet metal and composite structural repair, modification, parts manufacturing, and product development for corporate, air carrier, air cargo, and heavy lift helicopter operators.

Thank you Congressman Schrader for taking the time to listen to a small business's concerns regarding the difficulties that we are facing in today's economic environment.

The lack of importance placed on small business's contributions to our countries employment has been disheartening. Although, many elected officials have spoken regarding small business concerns the rubber has never met the road by providing any useful solutions to help alleviate the closed credit markets. Little if nothing has been done to provide economic stability to this critical piece of our countries economy, small business. As a small business owner yourself you understand the sacrifices that are made to follow your dreams, start a small business, create jobs, pay taxes, etc. Small business owners understand all too well what it is like to mortgage their home, sell a vehicle, cash in retirement, and extend credit in any way possible, just to be able have enough money to establish a business and follow a dream. We as small businesses risk a lot to be useful contributors to society which is very apparent in the number of jobs that we create and consistently provide. The numbers are laid out in black and white. As Stated in an article located on the Oregon Labor Market Information System published 6/23/2009 titled Oregon's Small Businesses "The U.S. Small Business Administration claims that 99.7 percent of all U.S. firms are small businesses, and that these firms have created between 60 and 80 percent of all new jobs over the past ten years. " So if this is the case why has small business been almost completely overlooked through the allocations provided through the recovery plan. And even more critical why have the banking difficulties for small business only half heartedly been addressed?

I was extremely concerned when I watched an interview on 7/27/2009 with Robert Gibbs. His words were directed toward the health care reform package “If we do nothing, millions of people are going to lose their health insurance. If we do nothing, millions of small businesses aren’t going to be able to afford the coverage that they already provide. Some of them are going to have to lay people off.” Let’s stop right there, health insurance coverage affordability is not going cause me to lay people off. We currently and have always provided fully paid health insurance benefits for our employees and their families. I have never considered laying off an employee due to the cost of health care insurance. All this statement tells me is that the agenda focus is only based on the interests of the elected and not the true and immediate needs of their constituents, especially small business. We eventually need to address health care costs but, if you truly want to help small business the focus needs to be placed on opening up the credit markets. Let me provide you with a short example in the form of an equation: No credit for small business in the form of credit lines, expansion loans, refinances, etc. = layoffs = business closure = who cares about health care costs. Pretty simple.

The only stab at helping small business has been addressed through increasing SBA guarantees and providing fee waivers. Sounds good on paper, but for those small businesses’ trying renew a loan, credit line, or access new credit this solution is virtually useless to most due to the unrelenting credit market. Much of the general population does not realize that to attain an SBA guarantee you must first have a bank that is willing to house the loan. Good luck in finding a bank to participate; they are few and far between. Many of the companies being required to have SBA guarantees are only facing this requirement due to the banks ability to take advantage of a system that will guarantee their risk at only 10%. . What a luxury, I would love to have someone give me hundreds of millions of dollars (ex. TARP) and have someone else pick up 90% of the risk on my business decisions.

Here are a few examples of company’s experiences regarding funding difficulties that I have encountered over the past several months. You must also be aware that all of the

banks mentioned in the following examples have received \$100's of millions in TARP funds.

- Our line of credit with Sterling Bank came due in October 2008. We were told in September that it would not be renewed. We began to do month to month renewals on our line of credit. Let me add that Sterling bank was less than cordial and caused us undo stress during the transition and might I add received over \$200 million in TARP funds. After 4 months of exhausting our resources and not finding any new banking options Sterling decided that they could possibly renew our line of credit with a state guarantee and additional covenants. The convents proposed by Sterling would have caused us to close our business within a matter of days after signing. We had worked too hard and sacrificed too much to allow this to happen. What was most upsetting is that we had always paid our loan payments on time, had never defaulted on a bank loan, were posting record year end profits, had several long standing contracts along with our monthly short term work load that consistently equaled over \$1.6 million in work in process, and were hiring not laying off employees. After 5 months of interviewing 17 different lending institutions we finally found a bank that was willing to work with us. We feel extremely fortunate to have established this new banking relationship in today's climate and we did have to access guarantees to complete the move. Most businesses have not been so lucky. This scenario is being experienced by small business through out the country. I have received several calls in recent weeks from companies in crisis due to closed credit markets. Some examples include:
- A company that has been operating for over 40 years unable to access refinancing for the commercial property housing their business. They were on a two year renewal cycle and their current lending institution is not willing to renew the loan. If the loan is not renewed within one to two months they will be in default and lose everything. What will the result be: complete closure, loss of commercial property, and job loss

- A very viable small machining business that needed a couple hundred thousand dollars increase to their line of credit to facilitate a new contract and thus create jobs. Even with their impeccable credit history they were unable to access the increase and had to turn the contract away. What was the result: layoffs.
- A company that has new innovative green technology that needed a small increase to their line of credit for product advance. They were denied. What was the result: layoffs
- A profitable agricultural company that would like to expand their facility and take advantage of the lower building costs and market share opportunities and cannot access an expansion loan. What was the result: proposed layoffs
- A wood products company that was profitable and had over 100 employees and cannot find a lender to carry their line of credit. When the line came up for renewal the bank began holding deposits and drastically cut credit line accessibility. What was the result: substantial layoffs and possible closure
- A small family run hardware store that can not access a credit line renewal: What will the result be: complete closure and personal financial ruin

As you can see, it is not just one industry that is being affected by the closed credit market; it is affecting small businesses across the board. I have heard from numerous lenders that they are open for lending, don't believe it. What the banks are saying and what the small businesses are experiencing are two entirely different scenarios. Look at the numbers, in a CNN Money article dated 1/6/2009 titled "Sharp drop in small business loans" It stated that "In the first quarter of its 2009 fiscal year, which ended 12/31/2008, the SBA's 7 (a) program backed 8996 loans. That is a 57% drop from the 20859 loans the SBA backed in the first quarter of 2008, and a 62% drop from 2007's first quarter

total. The total dollar value of loans processed by the SBA also plummeted to \$1.94 billion, down 40% from last year's \$3.24 billion.”

As a Small business we generally run very lean operations and take a personal interest in our employees and their well being. We will sacrifice personal financial stability to assure that our employees receive their paychecks and can put food on their tables. We cannot afford to individually hire expensive lobbyists to promote our cause. We rely on our elected officials to make decisions that are in the best interest of the majority, including small business. I am asking for your help in opening the credit market for affordable and accessible financing options for small business. Please do not turn your back on all of the small businesses that have sacrificed so much to provide employment opportunities for our citizens and follow their dreams of owning their own business. Thank you for your time and interest in hearing my concerns.